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SUBJECT: Cross-Strait Trade and Economics Surging Forward at CIFT
Conference

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¶1. (SBU) Summary and comment: Cross-Strait economic cooperation was
a hot topic at the 13th annual China International Fair for
Investment and Trade (CIFT) Conference earlier this month in
Xiamen. A large group of Taiwan business leaders, academics and
working-level officials participated in a half-day seminar organized
by the PRC's Ministry of Commerce (MOFCOM) and Taiwan Affairs Office
(TAO) on how to establish mechanisms to promote cross-Strait trade
and investment. Most of the public discussions focused on the
Economic Cooperation Framework Agreement (ECFA) agreement currently
under discussion between the PRC and Taiwan. Participant comments
from both Chinese and Taiwan speakers were almost all positive,
conveying a sense of inevitability regarding increased economic
cooperation and the signing of ECFA. Among the few negative
comments, one participant highlighted PRC concerns about third
countries possibly using Taiwan as a duty free entry to mainland
markets if ECFA were fully implemented, and a Taiwan business leader
called for improved rule of law in the mainland, especially to
protect intellectual property rights of Taiwan investors.

¶2. (SBU) Comment continued: Although no Chinese officials said so
directly, observers noted several symbolic differences from last
year's CIFT Conference including the absence of a high-level Taiwan
official at the opening ceremonies and a relatively lower profile
for the Taiwan pavilion in the CIFT exhibition hall. These
differences might indicate that despite robust working-level
engagement on purely economic issues, political-level steps forward
are still affected by external factors such as the Dalai Lama's
Taiwan visit one week before CIFT. End summary and comment.

Cross-Strait Trade and Investment Full-Steam Ahead

¶3. (U) MOFCOM Vice Minister Jiang Zengwei opened the Cross-Strait
Economic Cooperation and Development Forum by reviewing recent

progress, including the economic evolution from three "big links" to further opening of cross-Straits direct investment. He told an audience of more than 200 people that "peaceful development" had become the theme of cross-Straits relations. Jiang said mainland buying missions who had recently visited Taiwan and purchased billions of dollars in Taiwan-produced goods were good for both sides, and he said that institutionalizing the mechanism to facilitate even greater economic activity would be beneficial. Director Liu Xueqin of MOFEC-affiliated Chinese Academy of International Trade and Economic Cooperation offered a variety of economic statistics and analysis to support completion of ECFA. As if anticipating criticism that ECFA might benefit Taiwan more than the mainland, Director Liu said that early and complete implementation of the agreement would allow larger scale mainland purchases of Taiwan-produced goods and services, giving Taiwan businesses the financial boost they need to further increase direct investment on the mainland. Liu said that in addition to the benefits of consuming high quality Taiwan products, mainland firms would benefit from increased access to technology and expertise developed on the island, and ECFA-related growth would be self-reinforcing.

14. (U) Taiwan business leaders echoed MOFEC's positive assessment and called for early completion of ECFA as the best way to move forward. Wang Zhigang, Chair of Taipei World Trade Center, said that Taiwan investors are well-positioned to participate in the mainland's industrial upgrading. Wang told the audience that Taipei World Trade Center is planning product promotion fairs in 50 second- and third-tier mainland cities in order to take advantage of ECFA-induced market liberalization. Chair Wang Wenyuan of the

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Taiwan Textile Promotion Association explained that the mainland textile industry's advantages in natural fibers and Taiwan's strength in synthetic fibers are complementary and will yield unprecedented opportunities for both sides once ECFA is signed.

Some Sensitivities Persist on Each Side

15. (SBU) Buried in the middle of her otherwise optimistic speech, MOFEC Trade Academy Director Liu Xueqin did raise a sober warning that both the PRC and Taiwan must carefully respect trade-related sensitivities that would inevitably arise from increased liberalization. Specifically, Liu cautioned that full implementation of ECFA would create a virtually duty-free market between the PRC and Taiwan, which third countries might try to exploit in their efforts to penetrate mainland markets. Although Liu couched her comments in the language of WTO compliance and trade liberalization, her warning was clear - Taiwan can not allow third countries to skirt the PRC's import tariff regime by establishing separate agreements or transshipping products through Taiwan for sale on the mainland with reduced or waived duties.

16. (SBU) Director Huang Fuxiong of the Taiwan Industrial and Commercial Promotion Association also detoured from otherwise upbeat remarks to call for improved rule of law and increased regulatory transparency on the mainland, especially relating to protection of intellectual property rights (IPR) for Taiwan investors. Huang said that without such improvements, investors would hesitate to introduce new technology to the mainland market, regardless of how open the market was. He said that improvements could already be seen across the mainland, but problems still remained that would require efforts from Chinese officials at every level of government and across many bodies including both the enforcement departments and the judicial system.

Symbolism Still Appears Important at Higher Levels

17. (SBU) Despite all of the positive discussion of cross-Straits economic cooperation, CIFIT opening ceremonies this year were conspicuous in their absence of a high-level Taiwan leader. This contrasted with last year's participation of Legislative Yuan Vice President Tseng Yung-chuan, who joined Vice Premier Wang Qishan and former Vice Premier Wu Yi for opening ceremonies at the 12th annual

CIFIT conference in September 2008. In addition, this year's Taiwan pavilion occupied a relatively lower profile in the exhibition hall when compared to its central position at last year's exhibition. Although no Chinese officials directly acknowledged the symbolism, MOFCOM Vice Minister Jiang Zengwei did use his opening of the Cross-Strait Economic Cooperation and Development Forum to note that difficulties caused by the Dalai Lama visit and other political irritants should be recognized and avoided.

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